

# WHY CREATE HOMESITES IN CALIFORNIA?

## BUSTING THE MASS EXODUS MYTH



With numerous headlines citing a “mass exodus” from California, we often get the question of “why is California one of your target markets?” While we’ll dive into the details below, the simple answer is: there’s still a supply/demand imbalance between the population of the largest state in the nation and the number of attainable homes available for our younger generations to buy. Read on for the facts behind California’s population change, the housing supply, the strength of the state’s economy and who is interested in living there.

### THE NATION’S MOST POPULOUS STATE

With more than 39 million people according to 2021 estimates, California is the nation’s most populous state – much larger than second-place Texas at 29 million people and third-place Florida at 22 million people.<sup>1</sup> From 2010 to 2020, California’s population grew by 6.1%, compared to the growth rate in the rest of the United States of 7.4%.<sup>2</sup> While California experienced a 0.44% population decrease for the 12-month period from July 2020 to July 2021,<sup>3</sup> the state’s population is projected to reach 45 million people by 2050, an increase of almost 14% from 2020.<sup>1</sup>

### THE MASS EXODUS MYTH

As California’s population has slowed, the “mass exodus” headlines have become more prevalent, attributing the population decrease mainly to residents moving out of the state. However, there’s a lot more to it than that – and it’s important to understand all the elements that make up the state’s population change.

As detailed at right, exits to other states represent only a portion of California’s decreased population. Deaths (including 56,500 COVID-19 deaths)<sup>3</sup> as well as a reduction in both foreign immigration and international students – largely due to the pandemic and immigration policy changes – have also contributed to a decrease in the state’s population.

In addition to a significant number of births, the state also experienced more than 100,000 entrances from other states, a number that has been rebounding since January 2021 from its pandemic low.<sup>4</sup>

### CALIFORNIA’S POPULATION CHANGE 2020 - 2021

+	Births 420,300 <sup>3</sup>
+	Entrances from Other U.S. States 104,905 <sup>4</sup>
-	Deaths 344,200 <sup>3</sup>
-	Reduction in Foreign Immigration 90,000 <sup>3</sup>
-	Reduction in International Students 53,000 <sup>3</sup>
-	Exits to Other U.S. States 256,181 <sup>4</sup>

## HOUSING DEMAND DWARFS SUPPLY

Although California's housing shortage has received much attention recently, it has been developing for decades.<sup>5</sup> The state's Legislative Analyst's Office estimates 70,000 to 110,000 more housing units beyond what was built each year from 1980-2010 were needed to avoid a housing crisis. Totalled over the 30-year period, the shortfall approaches 3.5 million new homes needed by 2025.<sup>5</sup> Yet the current projected supply through 2025 is just 530,375 homes.<sup>6</sup>

Furthering the problem, California's new housing growth has not paralleled population growth. The state added 3.2 more people than housing units over the last 10 years.<sup>5</sup> There are now 2.93 Californians for every occupied housing unit, compared to the average of 2.53 for all other states – ranking California 48<sup>th</sup> in striking a balance between population and available housing.<sup>5</sup> Similarly, the state's housing supply has not kept up with job growth. On average, 2.54 jobs are added per housing unit in California versus the nationwide average of 0.55 jobs per housing unit, ranking California 50<sup>th</sup> in balancing job growth with available housing.<sup>7</sup>

Projected California  
Housing Unit Demand  
Through 2025<sup>5</sup>  
**3.5 MILLION**

Projected Supply  
Through 2025<sup>6</sup>  
**530,375**

Projected Shortfall  
**2,969,625**

## LOW SUPPLY KEEPS PRICES INFLATED

Persistent low supply has increased home prices to all-time highs, with the median in California approaching \$800,000 as of December 2021.<sup>8</sup> Increasing prices have negatively impacted supply, driving inventory down to an unhealthy level of just 1/2 month of supply statewide, with similarly low levels of supply for homes priced in the \$500,000 to \$1,000,000 range.<sup>9</sup> Experts typically consider a 6- to 7-month supply a balanced market.<sup>10</sup>

**“Some people who run with statistical scissors will try to extrapolate or hyperventilate that this is...some sort of ‘Mad Max’ style ‘exodus’ from California and that is not the case.”**

*~ H.D. Palmer, California Department of Finance Spokesperson<sup>11</sup>*

## CALIFORNIA'S COMMITMENT TO INCREASING HOUSING SUPPLY

Well aware of its housing supply shortage, California's government has put several measures in place as outlined below to position the state to deliver the 3.5 million needed homes.

- SB 330 "The Housing Crisis Act of 2019" is a statewide bill that started January 1, 2020 and runs through January 22, 2025, intended to reduce the time it takes to approve housing developments in California. Under state law, "housing developments" include residential units, mixed-use with a large residential component, and transitional or supportive housing.<sup>12</sup>
- SB 8 amends SB 330, extending it for five more years, through January 1, 2030.<sup>12</sup>
- SB 9, also known as the California Housing Opportunity and More Efficiency (HOME) Act or the Duplex Bill, is a state bill that requires cities to allow one additional residential unit onto parcels zoned for single-dwelling units. This law will allow up to a total of two residential units in single-dwelling unit zones, excluding any accessory dwelling units (ADUs). The law, which passed in September 2021, went into effect across California on January 1, 2022.<sup>12</sup>
- SB 10 creates a voluntary process for local governments to pass ordinances prior to January 1, 2029 to zone any parcel for up to 10 residential units if located in transit rich areas and urban infill sites. Adopting a local ordinance or a resolution to amend a general plan consistent with such an ordinance would be exempt from review under the California Environmental Quality Act (CEQA). This provides cities, including charter cities, an increased ability to upzone property for housing without the processing delays and litigation risks associated with CEQA.<sup>12</sup>



Artist's concept of proposed Deerwood, San Ramon, CA property in Elite Fund II.

## FIFTH LARGEST GDP IN THE WORLD

The state of California continues to rank highly in terms of both productivity revenue and GDP. Quarterly revenue per employee of the publicly traded companies based in California climbed to an all-time high of \$1.5 million in May 2021, 63% greater than its similar milestone a decade ago.<sup>13</sup>

Additionally, at \$3.35 trillion, California's GDP ranks #5 in the world, behind the United States, China, Japan and Germany, representing 14.6% of the total U.S. economy. Dominated by technology, trade, media, tourism and agriculture, the state's economy is well diversified.<sup>14</sup>

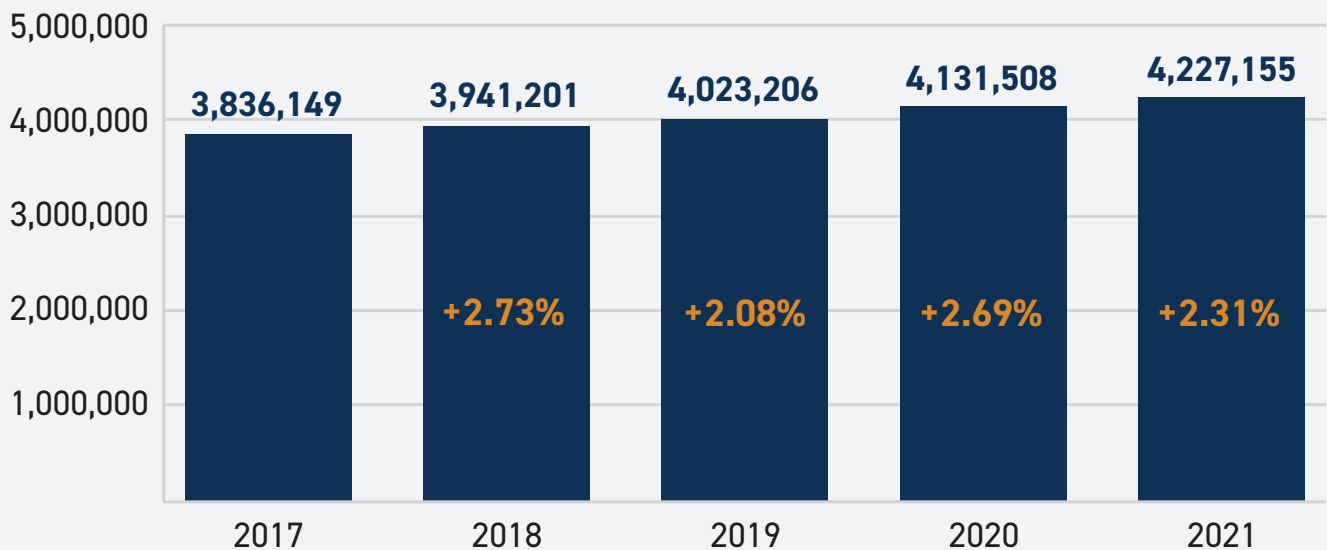
### CALIFORNIA GDP COMPONENTS<sup>14</sup> (IN BILLIONS)

<b>FINANCE, INSURANCE, ETC.</b> \$558.28	<b>MANUFACTURING</b> \$310.42	<b>GOVERNMENT</b> \$293.55	
<b>PROFESSIONAL SERVICES</b> \$397.60	<b>EDUCATION &amp; HEALTHCARE</b> \$205.17	<b>ARTS &amp; ENTERTAINMENT</b> \$111.71	<b>CONSTRUCTION</b> \$87.10
	<b>RETAIL</b> \$154.29		
<b>INFORMATION</b> \$316.93	<b>WHOLESALE</b> \$148.62	<b>TRANSPORTATION</b> \$72.64	<b>AGRICULTURE</b> \$51.42
		<b>UTILITIES</b> \$30.37	<b>MINING</b> \$18.46

## NUMBER ONE RANKING FOR SMALL BUSINESSES

California's more than four million small businesses rank it number one in the United States for small businesses.<sup>15</sup> With interest from Americans as well as international entrepreneurs, California's small businesses grew in both 2020 and 2021 despite the pandemic, and cover a range of industries.<sup>15</sup> The state's small businesses employ 7.3 million people or 48.2% of California employees.<sup>16</sup>

### NUMBER OF SMALL BUSINESSES IN CALIFORNIA OVER THE PAST 5 YEARS<sup>15</sup>



### TOP 5 SMALL BUSINESS INDUSTRIES IN CALIFORNIA<sup>15</sup>

PROFESSIONAL,  
SCIENTIFIC,  
& TECHNICAL  
SERVICES

TRANSPORTATION  
& WAREHOUSING  
FIRMS

REAL ESTATE  
& RENTAL  
LEASING  
FIRMS

HEALTHCARE  
& SOCIAL  
ASSISTANCE  
FIRMS

RETAIL TRADE  
FIRMS

## NUMBER ONE RANKING FOR VENTURE CAPITAL FUNDING

In 2021, California ranked number one in venture capital funding at a whopping \$154.6 billion.<sup>17</sup> Second-place New York funded approximately \$53.8 billion – or about \$100 billion less – over the same period.<sup>17</sup> The San Jose-San Francisco-Oakland market and the Los Angeles-Long Beach market rank number one and number three, respectively for top regional venture capital markets.<sup>18</sup>

## STRONG JOB CREATION AND EMPLOYMENT

Overall, California has experienced strong job growth, employing 18,629,682 people at its pre-pandemic high in December 2019, and recovering to 17,836,833 jobs as of December 2021, with a 6.5% unemployment rate.<sup>19</sup> Our California markets have all experienced significant improvements in unemployment rates year-over-year as of December 2021.

### CALIFORNIA MARKETS UNEMPLOYMENT

MARKET	UNEMPLOYMENT RATE <sup>20</sup> AS OF DECEMBER 2021	UNEMPLOYMENT CHANGE <sup>20</sup> YEAR-OVER-YEAR AS OF DECEMBER 2021
BAY AREA*	3.5%	▼ 49.3%
LOS ANGELES COUNTY	5.6%	▼ 49.5%
SACRAMENTO COUNTY	4.4%	▼ 42.1%
SAN DIEGO COUNTY	4.2%	▼ 47.5%

\* Bay Area includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma counties.

Artist's concept of proposed Moreau Assemblage, Hayward, CA, property in Elite Fund II.





*Artist's concept of proposed Fremont Corners I, Sunnyvale, CA, property that exited from Elite Fund II in February 2022.*

## APPEAL TO MILLENNIALS AND GEN Z

As Millennials turn 40, their level of household formation is anticipated to accelerate due to higher marriage rates and more stable incomes. With increased household formation, the generation's homeownership level is expected to ramp up within the next decade,<sup>21</sup> followed by Gen Z.

Those members of the Millennial generation who have expressed an interest in moving have identified California as their second most popular destination, after Florida, tied with Texas.<sup>22</sup> For members of Gen Z interested in moving, California is their number one destination.<sup>22</sup>

As both Millennials and Gen Z plan the next stage in their lives, it's no surprise that they are interested in a state with such a strong economic track record, high-paying job prospects, diversity, quality of life and social programs that could include government-funded, universal healthcare within this decade.

While there's no stopping people from leaving California, some who have left in recent years are considering a return, citing reasons ranging from a dislike for the climate in their new locale, to a lack of diversity or activities, to the absence of governmental programs they came to rely upon in California.<sup>23</sup> If former residents return to the Golden State, we will be working to help provide them – and all California residents who would like to become homeowners – attainable housing opportunities in our target markets.

## ABOUT THE TRUE LIFE COMPANIES

The True Life Companies (TTL) seeks to obtain the required municipal approvals for new residential tentative maps, or final maps, and then sells/assigns the property to a homebuilder for their construction and sales pipeline.<sup>24</sup> Utilizing this strategy, TTL has laid the foundation for homebuilders to bring hundreds of new homes to market. TTL's existing pipeline is anticipated to provide future homes in varying metro markets in California and Colorado, with additional markets under consideration.

THE  
TRUE  
LIFE

COMPANIES

For more information about TTL and how we seek to solve the housing crisis in California, contact [marketing@orcharddistribution.com](mailto:marketing@orcharddistribution.com).

801.316.4301

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